

VOLUME ONE INTRODUCTION

The FY2004-2008 Capital Improvement Plan (CIP) is an update of the City's annual five-year capital improvement planning process. This five-year plan provides a schedule for capital project allocations and implementations. Volume One includes capital projects that are funded primarily from property tax supported public improvement bonds. Volume Two contains the Enterprise Fund capital programs that include capital projects funded primarily with revenue bonds supported by user fees. The Executive Summary offers a synopsis of all the capital programs from both Volumes One and Two.

Overview

The Capital Improvement Plan is vital to our City. It is a plan for physical improvements to public facilities and infrastructure, and additionally has a positive economic impact on the local economy. Recognition of this importance prompted City Council in November 1983 to establish the five-year capital improvement planning process. By resolution, it became City policy to engage in a continuous five-year capital improvement planning process that includes annual review, revision, and adoption of a five year Capital Improvement Plan. Public meetings are also held annually in each City Council District to provide citizens an opportunity to comment on the process and recommend projects to be included in the plan.

The five-year CIP is revised annually to include new projects, to reflect changes in priorities, and to extend the plan an additional year. The first year of the plan is the current year plan and is adjusted throughout the year as needs dictate or when changes are made to existing approved projects. This year's CIP continues the Administration's priorities of rehabilitation and replacement of the City's existing facilities.

The Adopted FY2004-2008 CIP: Two Major Parts

The FY2004-2008 CIP calls for the appropriation of \$4.23 billion during the five-year period for two major categories of programs: enterprise and property tax supported programs. Of the total planned appropriations, \$2.78 billion is for projects in the enterprise fund programs (Airport, Convention & Entertainment, Wastewater, and Water). The Aviation and Convention and Entertainment programs are supported by system revenue bonds paid with income from the air travel and tourism industries. Water and Wastewater revenue bonds are retired using income from commercial and residential customers.

The remaining \$1.45 billion addresses a full range of capital facility and infrastructure improvements, most of which will be financed with Public Improvement Bonds (PIBs). These programs include Fire, Library, Parks, Police, Public Health, Solid Waste Management, General Government, Storm Drainage, Streets and Traffic Control, and Housing.

Tax supported PIBs are the primary funding source for Volume One programs as a result of the \$776 million bond election approved by the Citizens of Houston in November 2001.

As these new bond funds are expended, future analysis will determine strategies for additional funding to implement the various Master Plans and identified needs. Strategies may include placing items before the voters. Such a separate bond authorization may require additional property tax financing beyond that provided at the current tax rate for the recently approved million bond issue.

2004-2008 CAPITAL IMPROVEMENT PLAN

CITY OF HOUSTON

Program amounts authorized by the voters in November 2001 are broken down as follows:

Street and Drainage Improvement Bonds	474 Million
Police and Fire Facilities Improvement Bonds	82 Million
Parks and Recreation Facility Improvement Bonds	80 Million
General Public Improvement Bonds	80 Million
Library Improvement Bonds	40 Million
Affordable Housing Bonds	<u>20 Million</u>
	\$ 776 Million

Transportation funds from METRO (\$345 million) and the Texas Department of Transportation (\$194 million) provide the largest funding source for the general purpose PIB program. This total of \$539 million in state and METRO assistance is programmed for street and mobility improvements.

The remaining PIB Program will be funded through a variety of other funding sources ranging from county support to private donations. Over the past few years, significant efforts have been made to leverage PIB funds with new, non-traditional sources of funds.

Financing the FY2004-2008 CIP

Bond funds available from the 2001 voter authorization will begin to be exhausted in FY2007. This is illustrated by the table showing "Planned Appropriations by Fiscal Year" for PIB funded projects (see page v). Consequently, new bond funds will be required for some projects in the PIB program by FY2008.

The City's general obligation debt is serviced through the General Debt Service Fund. All interest and principal payments due on tax supported debt including certificates of obligation, public improvement/general obligation refunding bonds, assumed bonds (from annexed districts), claims and judgment bonds, and general obligation commercial paper notes are provided for from this fund.

The Public Improvement Programs in the Adopted FY2004-2008 CIP totals \$656 million in approved voter authorized bonds.

General Debt Service - Financial Policies

Since 1994, the City has been issuing Commercial Paper notes as an interim funding source to fund this portion of the CIP.

Unlike bonds which must be sold in large sums and encumbered by contracts with actual expenditures occurring months or years later, commercial paper is authorized for encumbrances and issued as needed to make cash payments to contractors. This is a much more efficient funding mechanism.

The outstanding commercial paper is then replaced periodically with Public Improvement Refunding Bonds. The forecast used for this Adopted CIP anticipates ongoing balances of Commercial Paper averaging approximately \$325 million and average annual refunding bond issues of \$100 million per year.

The two largest revenue sources for the fixed rate Public Improvement Debt Service portion of the General Debt Service Fund are ad valorem taxes levied for debt service and discretionary transfers from Water and Wastewater funds. Transfers from the Water and Wastewater funds pay debt on bonds assumed from previously annexed municipal utility districts related to water/sewer assets.

The City provides for a seven-month cash reserve on Fixed Rate Public Improvement Bonds. This reserve covers principal and interest payable in the first seven months of the following fiscal year for those bond issues which are funded from ad valorem taxes. The reserve was implemented in 1983, at the same time that the current fiscal year (July 1 through June 30) and the tax collection payment date (January 31) were established.

The City also provides for an interest rate reserve on General Obligation Commercial Paper (notes). Sufficient funds will be maintained in these reserves to cover the maximum rates of interest (between 6% - 10% depending on the Series) that could be due on commercial paper notes in a given fiscal year.

Public Improvement Program Priorities

The Adopted FY2004-2008 CIP reflects the following priorities:

1. Mobility remains the number one issue in Houston. Accordingly, the funding for the Streets Program is the largest portion of the Tax Supported Public Improvement Program
2. Funds for Storm Drainage improvements are increased over the FY03-07 Adopted CIP from \$231 to \$412 million (which is a combination of the Enterprise Program Combined Utility (275 million) and the Storm Drainage Program (137 million)) in support of

Projects identified in the Storm Water Management Program, which in turn is based on the Comprehensive Drainage Plan.

3. Existing facilities must be preserved and protected. Funds are included to replace roofs and HVAC systems to abate environmental hazards to meet ADA requirements, and to make other significant renovations at city facilities.
4. New and expanded facilities are included, such as the Downtown Super fire station, new fire stations, new multi-service centers, the police and fire training academies, and funds for the Prisoner Processing Center.

Park and Library Master Plans

Phase I of the Park Master Plan is included in the Adopted CIP. During the FY2004-2008 period, the Parks Master Plan calls for expenditures of \$53 million in bond funds.

The CIP includes a recommended investment in bond funds to implement the Library Master Plan for the FY2004-2008 period.

Neighborhood Oriented Government

The FY2004-2008 CIP continues to support neighborhood-oriented government and increased emphasis on transportation, infrastructure and economic development. This plan emphasizes the replacement, rehabilitation, and renewal of existing facilities as part of the neighborhood oriented government policy. This policy is designed to improve the quality of life in the inner city and make it more competitive with the outlying suburbs.

2004 - 2008 CAPITAL IMPROVEMENT PLAN

CITY OF HOUSTON

PUBLIC IMPROVEMENT BONDS: AUTHORIZED AND PROPOSED PLANNED APPROPRIATIONS BY FISCAL YEAR (\$ THOUSANDS)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>TOTAL</u>
Fire Department Facilities						
Fire Cons. Const. Fund	12,231	15,334	5,494	12,954	2,540	48,553
Library Department Facilities						
Pub. Library Cons. Const. Fund	16,891	14,470	7,068	12,070		50,499
General Imp. Cons. Const. Fund	1,000					1,000
Parks Department Facilities						
Park Cons. Const. Fund	16,468	16,299	20,629	7,583		60,979
General Imp. Cons. Const. Fund	529					529
Police Department Facilities						
Police Cons. Const. Fund	15,244	18,638	10,128	2,263		46,273
Health Department Facilities						
Pub. Health Cons. Const. Fund	4,906	6,513	3,468	1,250	835	16,972
General Imp. Cons. Const. Fund	203	365				568
Solid Waste Department Facilities						
Solid Waste Cons. Const. Fund	2,442	946	4,897	2,947	818	12,050
General Government Facilities						
General Imp. Cons. Const. Fund	9,593	9,919	18,156	2,981	6,158	46,807
Storm Drainage Facilities						
Storm Sewer Cons. Const. Fund	25,359	21,741	34,935	13,113		95,148
Street & Traffic Control Facilities						
S&B Cons. Const. Fund	67,111	73,500	57,466	54,431	10,600	263,108
Housing Facilities						
Homeless & Housing Cons. B. F.	3,039	3,200	4,000	4,057		14,296
Total Public Improvement Bonds - Authorized	175,016	180,925	166,241	113,649	20,951	656,782
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